

SENATE BILL No. 195

DIGEST OF INTRODUCED BILL

Citations Affected: IC 28-1-11-2.6.

Synopsis: Sale of insurance by financial institutions. Prohibits a financial institution from including insurance premium expenses in the primary credit transaction unless it has written consent from the customer. Allows the commissioner of insurance to exempt a financial institution under certain circumstances from the requirement of maintaining physically separated premises for the sale of insurance. Prohibits a financial institution from the following: (1) Rejecting an insurance policy solely because the policy was sold by a person who is not associated with the financial institution when the insurance is required for a loan or extension of credit. (2) Requiring a debtor, insurer, or insurance agent to pay a separate charge for insurance that is required for the loan or extension of credit unless the charge is also required when the financial institution provides the insurance. Requires the financial institution to disclose to a consumer that the choice of an insurance provider will not affect the credit decision or credit terms of the transaction. Requires a person selling insurance at a financial institution to keep separate records that must be made available for inspection.

Effective: July 1, 2001.

Paul

January 9, 2001, read first time and referred to Committee on Insurance and Financial Institutions.



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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

SENATE BILL No. 195

A BILL FOR AN ACT to amend the Indiana Code concerning financial institutions.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 28-1-11-2.6 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2.6. (a) As used in this
3 section, "financial institution" means a bank, a trust company, a savings
4 association (as defined in IC 28-15), a savings bank (as defined in
5 IC 28-6.1-2-6), a credit union (as defined in IC 28-7-1-0.5), an
6 industrial loan and investment company organized under IC 28-5, or a
7 corporate fiduciary.
8 (b) A financial institution that sells or offers for sale a life insurance
9 policy or an annuity contract shall disclose to a person who seeks to
10 purchase, or seeks an opinion or investment advice about, a life
11 insurance policy or an annuity contract at least the following
12 information:
13 (1) That the life insurance policy or annuity contract is not insured
14 by the Federal Deposit Insurance Corporation or the National
15 Credit Union Share Insurance Fund.
16 (2) That the life insurance policy or annuity contract is not a
17 deposit to, obligation of, or being guaranteed by, the financial



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institution.

(3) That some life insurance policies or annuity contracts are subject to investment risks, including possible loss of the principal amount invested.

(c) The disclosures required by subsection (b) must:

(1) be made in writing before or at the time of purchase of the life insurance policy or annuity contract; and

(2) be made orally or in writing during any sales presentation or when investment advice concerning a life insurance policy or an annuity contract is provided.

(d) At the time of the sale of a life insurance policy or an annuity contract, the financial institution must obtain from the purchaser a signed and dated statement containing the following acknowledgments:

(1) That the purchaser has received the disclosures required by subsection (b).

(2) That the purchaser has read the disclosures and understands them.

(e) An advertisement, a solicitation (including a solicitation contained in a periodic statement), promotional or sales material, or a sale confirmation notice that relates to a life insurance policy or an annuity contract sold or offered for sale by a financial institution must conspicuously disclose the information required by subsection (b).

(f) A financial institution may not:

(1) use information from a purchaser's personal financial statement for the purpose of selling or soliciting the purchase of life insurance; or

(2) provide information from a purchaser's personal financial statement to a third party for the purpose of the third party's sale or solicitation of the purchase of life insurance;

unless an insurance agent of the financial institution obtains the information directly from the purchaser.

(g) If a financial institution sells or solicits the sale of insurance on the premises of its principal office or a branch, the financial institution may sell or solicit the sale of insurance only in a location of the premises that is:

(1) physically separated and distinct from the banking activities of the financial institution; and

(2) clearly and conspicuously posted in a manner that easily indicates to the public that the location is separate and distinct from the banking activities of the financial institution.

(h) If a financial institution requires a person to obtain an insurance policy in connection with a non-insurance product or service, the

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insurance transaction must be completed on a document separate from the document or documents used to complete the transaction involving the non-insurance product or service. **Insurance premium expenses may not be included in the primary credit transaction unless the financial institution has the express written consent of the customer.**

(i) The commissioner of insurance may grant a waiver from the requirements under subsection (g) upon the written request of a financial institution if the financial institution can demonstrate the following:

- (1) It is not reasonably possible to comply with subsection (g).
- (2) The financial institution will take other steps to minimize the likelihood that the customer will be confused or coerced by the location on the financial institution's premises of the sale of the insurance by the financial institution.

(j) A financial institution may not do the following:

- (1) Reject an insurance policy solely because the policy has been sold by a person who is not associated with the financial institution, or with any subsidiary or affiliate of the financial institution, when the insurance is required for a loan or extension of credit.
- (2) Require any debtor, insurer, or insurance agent to pay a separate charge for the handling of insurance that is required for a loan, extension of credit, or any other banking product, unless the charge would be required when the financial institution, or any subsidiary or affiliate of the financial institution, is the licensed insurance agent providing the insurance.

(k) When a consumer's application for a loan or other extension of credit is:

- (1) pending and insurance is solicited or offered for sale to the customer; or
- (2) insurance is required for the loan or extension of credit by the financial institution;

the financial institution must provide the consumer with a written disclosure that states that the consumer's choice of an insurance provider will not affect the financial institution's credit decision or the credit terms, except that the financial institution may impose reasonable requirements concerning the creditworthiness of the insurance provider and scope of insurance chosen by the consumer.

(l) A person licensed to sell or solicit insurance on a financial institution's premises shall maintain separate books and records

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1 relating to any insurance transaction. These records must include
2 any complaint made by a consumer concerning an insurance
3 transaction.

4 (m) All books and records kept under subsection (l) must be
5 made available for inspection by the insurance commissioner or the
6 commissioner's duly authorized designee upon reasonable notice.

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